

HINTON COMMUNITY SCHOOL DISTRICT

Hinton, Iowa

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Independent Auditor's Reports  
Basic Financial Statements and Supplemental Information  
Schedule of Findings

June 30, 2004

# HINTON COMMUNITY SCHOOL DISTRICT

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HINTON COMMUNITY SCHOOL DISTRICT

OFFICIALS

JUNE 30, 2004

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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BOARD OF EDUCATION  
(Before September 2003 Election)

Michelle Rodgers	President	2003
Barry Dittmer	Vice President	2004
Bruce Kramer	Board Member	2003
Robert Held	Board Member	2005
Kenny Hoefling	Board Member	2005

BOARD OF EDUCATION  
(After September 2003 Election)

Michelle Rodgers	President	2006
Barry Dittmer	Vice President	2004
Steve Eddy	Board Member	2006
Robert Held	Board Member	2005
Kenny Hoefling	Board Member	2005

SCHOOL OFFICIALS

Allen Steen	Superintendent	2004
Jo Jurgensmeier	Board Secretary	2004
Bruce Fey	Business Manager	2004
James Hanks	Attorney	Indefinite



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Hinton Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Hinton Community School District (the District), Hinton, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with accounting standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the District at June 30, 2004 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 12 to the financial statements, during the year ended June 30, 2004, the District adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; Statement No. 41, *Budgetary Comparison Schedule - Perspective Differences*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

To the Board of Education of  
Hinton Community School District

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 34 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*King, Reinsch, Prosser & Co., L.L.P.*

August 6, 2004  
Sioux City, Iowa

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Hinton Community School District (the District) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

### **2004 Financial Highlights**

- General Fund revenues increased from \$4,046,495 in fiscal 2003 to \$4,180,875 in fiscal 2004, while General Fund expenditures increased from \$3,916,997 in fiscal 2003 to \$4,118,910 in fiscal 2004. The District's General Fund balance increased from \$387,985 in fiscal 2003 to \$449,950 in fiscal 2004, a 16% increase.
- The increase in General Fund revenues was attributable to an increase in property tax revenue and an increase in regular education open enrollment revenue. The increase in expenditures was due primarily to an increase in payroll expense as a result of the negotiated salary increase, an additional instruction FTE and an increase in open enrollment out expense. Although state funding was lower than expected, other revenues were increased and the District held maintenance and transportation costs level from 2003 to 2004 allowing the General Fund balance to experience a net increase.

### **Using This Annual Report**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-Wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

### **Reporting the District's Financial Activities**

*Government-Wide Financial Statements* - The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- Governmental Activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- Business Type Activities: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition and before and after school programs are included here.

*Fund Financial Statements* - The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds.

1. Governmental Funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2. Proprietary Funds - Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provides more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Funds and the Before and After School Program.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

### **Government-Wide Financial Analysis**

Figure A-1 below provides a summary of the District's net assets at June 30, 2004.

Figure A-1 Condensed Statement of Net Assets (In Thousands)			
	Governmental Activities	Business Type Activities	Total District
Current and other assets	\$ 3,283	\$ 87	\$ 3,370
Capital assets, net	2,992	16	3,008
Total assets	<u>\$ 6,275</u>	<u>\$ 103</u>	<u>\$ 6,378</u>
Long-term liabilities	\$ 590	\$ -	\$ 590
Other liabilities	2,636	14	2,650
Total liabilities	<u>\$ 3,226</u>	<u>\$ 14</u>	<u>\$ 3,240</u>
Net assets:			
Invested in capital assets, net of related debt	\$ 2,597	\$ 16	\$ 2,613
Restricted	126	-	126
Unrestricted	326	73	399
Total net assets	<u>\$ 3,049</u>	<u>\$ 89</u>	<u>\$ 3,138</u>

The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources from the debt service fund which is funded by a separate tax levy.



Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The largest category of restricted net assets, the Activity Fund, are raised externally to benefit a number of specific extra-curricular activities.

The unrestricted net assets are available from the day to day District operations and are not subject to constraints established by debt covenants, enabling legislation or other legal requirements.

Figure A-2 shows the changes in net assets for the year ended June 30, 2004.

Figure A-2 Changes in Net Assets (In Thousands)			
	Governmental Activities	Business Type Activities	Total District
Revenues:			
Program revenues:			
Charges for services	\$ 615	\$ 161	\$ 776
Operating grants, contributions and restricted interest	410	59	469
General revenues:			
Property tax	1,814	-	1,814
Unrestricted state grants	1,708	-	1,708
Unrestricted investment earnings	9	1	10
Local surtax	189	-	189
Other	48	-	48
Total revenues	<u>\$ 4,793</u>	<u>\$ 221</u>	<u>\$ 5,014</u>
Program expenses:			
Instruction	\$ 3,034	\$ -	\$ 3,034
Support services	1,340	-	1,340
Non-instructional programs	1	194	195
Other expenses	184	-	184
Total expenses	<u>\$ 4,559</u>	<u>\$ 194</u>	<u>\$ 4,753</u>
Change in net assets	<u>\$ 234</u>	<u>\$ 27</u>	<u>\$ 261</u>

Property tax and unrestricted state grants account for 70.2% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 92.0% of the total expenses.

*Governmental Activities* - Revenues for governmental activities were \$4,792,707 and expenses were \$4,559,122. Even though District revenues were less than anticipated, the District funded the negotiated salary increase and provided an increase in net governmental assets, by holding maintenance and transportation expenses level from 2003 to 2004.

The following table presents the total and net cost of the District's major governmental activities: Instruction, support services, non-instructional programs and other expenses.

Figure A-3 Total and Net Cost of Governmental Activities (In Thousands)		
	Total Cost of Services	Net Cost of Services
Instruction	\$ 3,034	\$ 2,176
Support services	1,340	1,331
Non-instructional programs	1	1
Other expenses	184	27
Totals	<u>\$ 4,559</u>	<u>\$ 3,535</u>

- The cost financed by users of the District's programs was \$614,787.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$409,811.
- The net cost of governmental activities was financed with \$2,003,123 in property and other taxes and \$1,708,047 in unrestricted state grants.

*Business Type Activities* - Revenues for business type activities were \$220,851 and expenses were \$193,950. The District's business type activities include the School Nutrition and Before and After School Program. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

As demand for the before and after school program increased in 2004, the District modified the pricing structure to moderate the cost for families with multiple children in the program. Even with the pricing change, total revenues remained level between 2003 and 2004. Personnel changes and more appropriate staffing allowed the before and after school program to decrease expenses and provide an increase in net assets for future program expansion.

Pricing for the school lunch program remained the same in 2004. Both revenue and expense remained level from 2003-2004 and resulted in an increase in net assets to be used for future equipment purchases and other program needs.

### **Governmental Fund Analysis**

As previously noted, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$650,226, above last year's ending fund balances of \$574,237, as restated. The District's proprietary funds reported end of year net assets of \$88,827, above last year's ending fund balances of \$61,926.

### Governmental Fund Highlights

Property tax revenue increases and an increase in regular education open enrollment revenue combined with no increases in maintenance and transportation costs allowed the District to add an FTE to instruction, meet the negotiated salary increase and increase the General Fund balance by \$61,965.

The Capital Projects Fund borrowed from other funds to pay for initial architect and engineering fees for the projects planned after July 1, 2004. This will be repaid during fiscal year 2005 as funds from the local option sales tax begin.

The fund balances of the non-major special revenue funds, Physical Plant and Equipment Fund, Management Fund and the Activity Fund increased \$19,744. The Management Fund and Physical Plant and Equipment Fund, both funded primarily with property tax revenues, operated at a surplus during the year which improved their fund balances. The Activity Fund, funded primarily from other local sources like donations and fees, also experienced an increase to its fund balance.

### Proprietary Fund Highlights

Proprietary fund net assets increased \$26,901 from \$61,926 in 2003 to \$88,827 in 2004. The school lunch program did not experience any significant changes in either expense or revenue and contributed \$20,287 to net assets during the year. Decreases in expenses allowed the before and after school program to add \$6,614 to net assets during the year.

### **Budgetary Highlights**

The District amended its annual budget for instruction and other expenditures. The District anticipated higher than expected expenditures in the area of substitute teacher costs, text book acquisition expense and activity fund expenditures. Because of the commencement of several large infrastructure projects, additional funds were budgeted in the facilities and acquisition (other expenditures) budget.

The District's total revenue was \$55,495 less than budget or 1.10 percent. The primary reason for the variance was lower than expected state foundation aid.

Total District expenditures were less than budget, due primarily to less than anticipated expenditures in the transportation and plant operation support areas.

### **Capital Assets and Debt Administration**

Capital Assets - At June 30, 2004, the District had invested \$3,007,598, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4) More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$118,121.

The original cost of the District's capital assets was \$5,623,164. Governmental funds account for \$5,597,085, with the remainder of \$26,079 accounted for in the Proprietary, School Nutrition Fund.

**Figure A-4 - Capital Assets, Net of Depreciation**  
(In Thousands)

	Governmental Activities	Business Type Activities	Total District
Land	\$ 77	\$ -	\$ 77
Construction in progress	8	-	8
Buildings	2,127	-	2,127
Improvements other than buildings	446	-	446
Furniture and equipment	334	16	350
Totals	\$ 2,992	\$ 16	\$ 3,008

**Long-Term Debt** - At June 30, 2004, the District had \$395,000 in general obligation bonds and \$194,606 early retirement payable for total long-term debt of \$589,606. Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

A significant share of the early retirement payable (\$103,500) is associated with long-term commitments to three early retirees, representing commitments to pay their monthly health insurance premiums until age 65. These payments are scheduled to end during fiscal year 2012.

### **Economic Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

As discussed in Note 11, Plymouth County voters have passed a one percent School Infrastructure Local Option Sales Tax that will become effective July 1, 2004 and the District has closed on a \$1,210,000 School Infrastructure Sales and Services Tax Revenue Bond effective July 13, 2004. This additional revenue source will be used to make improvements in the plant facility and purchase equipment that will enhance the educational services of the District.

Net open enrollment increased six students between the 2003 and 2004 school year. The open enrollment factor along with the District's development of a Pre-Kindergarten program and a Before and After School Child Care program are contributing to the District's goal of maintaining or increasing enrollment levels.

### **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Bruce Fey, District Business Manager, Hinton Community School District, P.O. Box 128, 315 W. Grand, Hinton, Iowa 51024.

## BASIC FINANCIAL STATEMENTS

## HINTON COMMUNITY SCHOOL DISTRICT

## STATEMENT OF NET ASSETS

JUNE 30, 2004

	Governmental Activities	Business Type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents:			
ISCAP	\$ 300,440	\$ -	\$ 300,440
Other	1,111,151	79,336	1,190,487
Receivables:			
Property tax:			
Current year	19,724	-	19,724
Succeeding year	1,708,463	-	1,708,463
Accounts	8,008	1,015	9,023
Due from other governments	100,492	-	100,492
Due from other funds	33,924	1,950	35,874
Inventories	814	5,001	5,815
Capital assets, net of accumulated depreciation	<u>2,991,979</u>	<u>15,619</u>	<u>3,007,598</u>
 Total assets	 <u>\$ 6,274,995</u>	 <u>\$ 102,921</u>	 <u>\$ 6,377,916</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 81,415	\$ -	\$ 81,415
Salaries and benefits payable	419,791	-	419,791
Due to other governments	84,305	-	84,305
Due to other funds	23,716	12,158	35,874
Accrued interest payable	3,358	-	3,358
Deferred revenue - succeeding year property tax	1,708,463	-	1,708,463
Deferred revenue - other	12,100	1,936	14,036
ISCAP warrants payable	303,000	-	303,000
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	91,121	-	91,121
General obligation bonds payable	215,000	-	215,000
Portion due after one year:			
Early retirement payable	103,485	-	103,485
General obligation bonds payable	<u>180,000</u>	<u>-</u>	<u>180,000</u>
Total liabilities	<u>\$ 3,225,754</u>	<u>\$ 14,094</u>	<u>\$ 3,239,848</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	\$ 2,596,979	\$ 15,619	\$ 2,612,598
Restricted for:			
Physical plant and equipment levy	13,305	-	13,305
Other special revenue purposes	95,855	-	95,855
Debt service	17,348	-	17,348
Unrestricted	<u>325,754</u>	<u>73,208</u>	<u>398,962</u>
Total net assets	<u>\$ 3,049,241</u>	<u>\$ 88,827</u>	<u>\$ 3,138,068</u>
 Total liabilities and net assets	 <u>\$ 6,274,995</u>	 <u>\$ 102,921</u>	 <u>\$ 6,377,916</u>

HINTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2004

		<u>Program Revenues</u>	
	<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>
FUNCTIONS/PROGRAMS:			
Governmental activities:			
Instruction:			
Regular instruction	\$ 2,135,005	\$ 390,558	\$ 206,632
Special instruction	360,579	27,814	31,611
Other instruction	<u>538,855</u>	<u>196,222</u>	<u>5,469</u>
	<u>\$ 3,034,439</u>	<u>\$ 614,594</u>	<u>\$ 243,712</u>
Support services:			
Student services	\$ 168,953	\$ -	\$ -
Instructional staff services	51,039	-	-
Administration services	571,766	-	-
Operation and maintenance of plant services	323,503	193	-
Transportation services	<u>224,602</u>	<u>-</u>	<u>8,778</u>
	<u>\$ 1,339,863</u>	<u>\$ 193</u>	<u>\$ 8,778</u>
Non-instructional programs	<u>\$ 806</u>	<u>\$ -</u>	<u>\$ -</u>
Other expenditures:			
Facilities acquisition	\$ 273	\$ -	\$ -
Long-term debt interest	26,420	-	-
AEA flow through	<u>157,321</u>	<u>-</u>	<u>157,321</u>
	<u>\$ 184,014</u>	<u>\$ -</u>	<u>\$ 157,321</u>
Total governmental activities	\$ 4,559,122	\$ 614,787	\$ 409,811
Business type activities:			
Non-instructional programs:			
Food service operations	182,835	144,087	58,519
Before and after school program	<u>11,115</u>	<u>17,729</u>	<u>-</u>
Total	<u>\$ 4,753,072</u>	<u>\$ 776,603</u>	<u>\$ 468,330</u>
GENERAL REVENUES:			
Property tax levied for:			
General purposes			
Debt service			
Management levy			
Physical plant and equipment levy			
Unrestricted state grants			
Unrestricted investment earnings			
Local surtax			
Other			
Total general revenues			
Change in net assets			
Net assets beginning of year, as restated			
Net assets end of year			
See notes to financial statements.			

Net (Expense) Revenue and Changes in Net Assets		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (1,537,815)	\$ -	\$ (1,537,815)
(301,154)	-	(301,154)
<u>(337,164)</u>	<u>-</u>	<u>(337,164)</u>
\$ (2,176,133)	\$ -	\$ (2,176,133)
\$ (168,953)	\$ -	\$ (168,953)
(51,039)	-	(51,039)
(571,766)	-	(571,766)
(323,310)	-	(323,310)
<u>(215,824)</u>	<u>-</u>	<u>(215,824)</u>
\$ (1,330,892)	\$ -	\$ (1,330,892)
\$ (806)	\$ -	\$ (806)
\$ (273)	\$ -	\$ (273)
(26,420)	-	(26,420)
<u>-</u>	<u>-</u>	<u>-</u>
\$ (26,693)	\$ -	\$ (26,693)
\$ (3,534,524)	\$ -	\$ (3,534,524)
-	19,771	19,771
<u>-</u>	<u>6,614</u>	<u>6,614</u>
\$ (3,534,524)	\$ 26,385	\$ (3,508,139)
\$ 1,421,954	\$ -	\$ 1,421,954
234,840	-	234,840
109,012	-	109,012
48,138	-	48,138
1,708,047	-	1,708,047
8,706	516	9,222
189,179	-	189,179
<u>48,233</u>	<u>-</u>	<u>48,233</u>
\$ 3,768,109	\$ 516	\$ 3,768,625
\$ 233,585	\$ 26,901	\$ 260,486
<u>2,815,656</u>	<u>61,926</u>	<u>2,877,582</u>
<u>\$ 3,049,241</u>	<u>\$ 88,827</u>	<u>\$ 3,138,068</u>



## HINTON COMMUNITY SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
<u>ASSETS</u>					
Cash and pooled investments:					
ISCAP	\$ 300,440	\$ -	\$ -	\$ -	\$ 300,440
Other	910,378	10,416	-	190,357	1,111,151
Receivables:					
Property tax:					
Current year	15,580	2,448	-	1,696	19,724
Succeeding year	1,282,844	232,521	-	193,098	1,708,463
Accounts	7,617	-	-	391	8,008
Due from other governments	100,492	-	-	-	100,492
Due from other funds	1,634	7,842	12,100	190	21,766
Due from nutrition fund	12,158	-	-	-	12,158
Inventories	-	-	-	814	814
	<u>-</u>	<u>-</u>	<u>-</u>	<u>814</u>	<u>814</u>
Total assets	<u>\$ 2,631,143</u>	<u>\$ 253,227</u>	<u>\$ 12,100</u>	<u>\$ 386,546</u>	<u>\$ 3,283,016</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 77,163	\$ -	\$ -	\$ 4,252	\$ 81,415
Salaries and benefits payable	419,791	-	-	-	419,791
Due to other governments	84,305	-	-	-	84,305
Due to other funds	12,140	-	7,992	1,634	21,766
Due to nutrition fund	1,950	-	-	-	1,950
ISCAP warrants payable	303,000	-	-	-	303,000
Deferred revenue:					
Succeeding year property tax	1,282,844	232,521	-	193,098	1,708,463
Other	-	-	12,100	-	12,100
Total liabilities	<u>\$ 2,181,193</u>	<u>\$ 232,521</u>	<u>\$ 20,092</u>	<u>\$ 198,984</u>	<u>\$ 2,632,790</u>
Fund balances:					
Reserved for debt service	\$ -	\$ 20,706	\$ -	\$ -	\$ 20,706
Unreserved	449,950	-	(7,992)	187,562	629,520
Total fund balances	<u>\$ 449,950</u>	<u>\$ 20,706</u>	<u>\$ (7,992)</u>	<u>\$ 187,562</u>	<u>\$ 650,226</u>
Total liabilities and fund balances	<u>\$ 2,631,143</u>	<u>\$ 253,227</u>	<u>\$ 12,100</u>	<u>\$ 386,546</u>	<u>\$ 3,283,016</u>

HINTON COMMUNITY SCHOOL DISTRICTRECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDSTO THE STATEMENT OF NET ASSETSJUNE 30, 2004

Total fund balances of governmental funds	\$ 650,226
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Amounts reported for governmental activities in the Statement of  
Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	2,991,979
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(3,358)
--	---------

Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(589,606)</u>
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Net assets of governmental activities	<u>\$ 3,049,241</u>
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## HINTON COMMUNITY SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

## GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 1,611,133	\$ 234,840	\$ -	\$ 157,150	\$ 2,003,123
Tuition	399,912	-	-	-	399,912
Other	28,638	314	-	219,175	248,127
State sources	2,091,824	213	-	140	2,092,177
Federal sources	49,368	-	-	-	49,368
Total revenues	<u>\$ 4,180,875</u>	<u>\$ 235,367</u>	<u>\$ -</u>	<u>\$ 376,465</u>	<u>\$ 4,792,707</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 2,069,009	\$ -	\$ -	\$ 50,635	\$ 2,119,644
Special instruction	355,506	-	-	1,080	356,586
Other instruction	321,855	-	-	211,032	532,887
	<u>\$ 2,746,370</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 262,747</u>	<u>\$ 3,009,117</u>
Support services:					
Student services	\$ 166,144	\$ -	\$ -	\$ 938	\$ 167,082
Instructional staff services	52,042	-	-	270	52,312
Administration services	521,503	-	-	19,268	540,771
Operation and maintenance of plant services	278,204	-	-	60,231	338,435
Transportation services	197,326	-	-	9,655	206,981
	<u>\$ 1,215,219</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,362</u>	<u>\$ 1,305,581</u>
Non-instructional programs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,612</u>	<u>\$ 3,612</u>
Other expenditures:					
Facilities acquisition	\$ -	\$ -	\$ 7,992	\$ -	\$ 7,992
Long-term debt:					
Principal	-	205,000	-	-	205,000
Interest and fiscal charges	-	28,095	-	-	28,095
AEA flow through	157,321	-	-	-	157,321
	<u>\$ 157,321</u>	<u>\$ 233,095</u>	<u>\$ 7,992</u>	<u>\$ -</u>	<u>\$ 398,408</u>
Total expenditures	<u>\$ 4,118,910</u>	<u>\$ 233,095</u>	<u>\$ 7,992</u>	<u>\$ 356,721</u>	<u>\$ 4,716,718</u>
Excess (deficiency) of revenue over (under) expenditures	\$ 61,965	\$ 2,272	\$ (7,992)	\$ 19,744	\$ 75,989
Fund balances beginning of year, as restated	<u>387,985</u>	<u>18,434</u>	<u>-</u>	<u>167,818</u>	<u>574,237</u>
Fund balances end of year	<u>\$ 449,950</u>	<u>\$ 20,706</u>	<u>\$ (7,992)</u>	<u>\$ 187,562</u>	<u>\$ 650,226</u>

HINTON COMMUNITY SCHOOL DISTRICTRECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES ANDCHANGES IN FUND BALANCES - GOVERNMENTAL FUNDSTO THE STATEMENT OF ACTIVITIESYEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds	\$	75,989
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are capitalized in the Statement of Net Activities and are expensed over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$	71,732	
Depreciation expense		<u>(115,949)</u>	(44,217)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

205,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

1,675

Early retirement expenses reported in the Statement of Activities are measured by the amount incurred during the year. However, in the governmental funds, early retirement expenditures are measured by the amount actually paid.

(4,862)

Change in net assets of governmental activities	\$	<u><u>233,585</u></u>
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HINTON COMMUNITY SCHOOL DISTRICTSTATEMENTS OF NET ASSETS - PROPRIETARY FUNDSJUNE 30, 2004

	<u>School Nutrition</u>	<u>Before and After School Program</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 70,182	\$ 9,154	\$ 79,336
Accounts receivable	-	1,015	1,015
Due from other funds	1,950	-	1,950
Inventories	5,001	-	5,001
Capital assets, net of accumulated depreciation	<u>15,619</u>	<u>-</u>	<u>15,619</u>
Total assets	<u>\$ 92,752</u>	<u>\$ 10,169</u>	<u>\$ 102,921</u>
LIABILITIES:			
Due to other funds	\$ 12,158	\$ -	\$ 12,158
Deferred revenue	<u>1,936</u>	<u>-</u>	<u>1,936</u>
Total liabilities	<u>\$ 14,094</u>	<u>\$ -</u>	<u>\$ 14,094</u>
NET ASSETS:			
Invested in capital assets, net of related debt	\$ 15,619	\$ -	\$ 15,619
Unrestricted	<u>63,039</u>	<u>10,169</u>	<u>73,208</u>
Total net assets	<u>\$ 78,658</u>	<u>\$ 10,169</u>	<u>\$ 88,827</u>
Total liabilities and net assets	<u>\$ 92,752</u>	<u>\$ 10,169</u>	<u>\$ 102,921</u>

HINTON COMMUNITY SCHOOL DISTRICTSTATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -PROPRIETARY FUNDSYEAR ENDED JUNE 30, 2004

	<u>School Nutrition</u>	<u>Before and After School Program</u>	<u>Total</u>
Operating revenues:			
Local sources:			
Charges for service	\$ 144,087	\$ 17,729	\$ 161,816
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	\$ 70,482	\$ 9,141	\$ 79,623
Benefits	22,362	869	23,231
Purchased services	3,728	-	3,728
Supplies	83,901	1,105	85,006
Loss on disposal of capital assets	190	-	190
Depreciation	2,172	-	2,172
Total operating expenses	\$ 182,835	\$ 11,115	\$ 193,950
Operating (loss) income	\$ (38,748)	\$ 6,614	\$ (32,134)
Non-operating revenues:			
Interest income	\$ 516	\$ -	\$ 516
State sources	2,987	-	2,987
Federal sources	39,850	-	39,850
Food distribution	15,682	-	15,682
Total non-operating revenues	\$ 59,035	\$ -	\$ 59,035
Change in net assets	\$ 20,287	\$ 6,614	\$ 26,901
Net assets beginning of year	58,371	3,555	61,926
Net assets end of year	\$ 78,658	\$ 10,169	\$ 88,827

## HINTON COMMUNITY SCHOOL DISTRICT

## STATEMENTS OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2004

	School Nutrition	Before and After School Program	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 144,074	\$ -	\$ 144,074
Cash received from before/after school parent payments	-	17,329	17,329
Cash paid to employees for services	(93,659)	(10,010)	(103,669)
Cash paid to suppliers for goods or services	(69,830)	(1,105)	(70,935)
Net cash (used) provided by operating activities	<u>\$ (19,415)</u>	<u>\$ 6,214</u>	<u>\$ (13,201)</u>
Cash flows from non-capital financing activities:			
State grants received	\$ 2,987	\$ -	\$ 2,987
Federal grants received	<u>39,850</u>	<u>-</u>	<u>39,850</u>
Net cash provided by non-capital financing activities	<u>\$ 42,837</u>	<u>\$ -</u>	<u>\$ 42,837</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>\$ (8,257)</u>	<u>\$ -</u>	<u>\$ (8,257)</u>
Net cash used by capital and related financing activities	<u>\$ (8,257)</u>	<u>\$ -</u>	<u>\$ (8,257)</u>
Cash flows from investing activities:			
Interest on investments	<u>\$ 516</u>	<u>\$ -</u>	<u>\$ 516</u>
Net increase in cash and cash equivalents	\$ 15,681	\$ 6,214	\$ 21,895
Cash and cash equivalents beginning of year	<u>54,501</u>	<u>2,940</u>	<u>57,441</u>
Cash and cash equivalents end of year	<u><u>\$ 70,182</u></u>	<u><u>\$ 9,154</u></u>	<u><u>\$ 79,336</u></u>
Reconciliation of operating (loss) income to net cash (used) provided by operating activities:			
Operating (loss) income	\$ (38,748)	\$ 6,614	\$ (32,134)
Adjustments to reconcile operating (loss) income to net cash used by operating activities:			
Commodities used	15,879	-	15,879
Depreciation	2,172	-	2,172
Loss on disposal of capital assets	190	-	190
Decrease in inventories	1,920	-	1,920
(Increase) in accounts receivable	(1,949)	(400)	(2,349)
(Decrease) in due to other funds	(815)	-	(815)
Increase in deferred revenue	<u>1,936</u>	<u>-</u>	<u>1,936</u>
Net cash (used) provided by operating activities	<u><u>\$ (19,415)</u></u>	<u><u>\$ 6,214</u></u>	<u><u>\$ (13,201)</u></u>

## Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$15,682 of federal commodities.

# HINTON COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Hinton Community School District (the District) is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic areas served includes the City of Hinton, Iowa, and the predominant agricultural territory in Plymouth County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

A. Reporting Entity - For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the GASB criteria.

B. Basis of Presentation

Government-Wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:



# HINTON COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Invested in Capital Assets, Net of Related Debt - Consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted Net Assets - Result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets - Consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary funds:

The District's proprietary fund consists of two enterprise funds, the School Nutrition Fund and the Before and After School Program. The School Nutrition Fund is used to account for the food service operations. The Before and After School Program Fund is used to account for tuition received and expenses related to this program.

- C. Measurement Focus and Basis of Accounting - The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, compensated absences and special termination benefits are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

# HINTON COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989 except for those that conflict with or contradict GASB pronouncements.

Proprietary funds distinguished operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

# HINTON COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Property tax receivable is recognized in these funds on the legally enforceable claim date, which is the date that the tax asking is certified by the Board of Education. Current year delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1-1/2 percent per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of \$1,000 and estimated useful lives in excess of two years.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

# HINTON COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements did not exceed budgeted amounts in any functional areas.

### NOTE 2 - CASH AND POOLED INVESTMENTS:

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$985,657 pursuant to Rule 2a-7 under the Investment Company Act of 1940. GASB Statement Number 3 requires securities to be categorized to give an indication of the level of risk assumed by the District at year end. Investments in the Iowa Schools Joint Investment Trust are not considered securities and therefore are not subject to risk categorization.

# HINTON COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

### NOTE 3 - DUE FROM AND DUE TO OTHER FUNDS:

The detail of interfund receivables and payables at June 30, 2004 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Proprietary fund:	
	Nutrition	\$ 12,158
General	Management	1,634
Debt service	Capital projects	7,842
Special revenue:		
Activity	Capital projects	150
Special revenue:		
Activity	General	40
Capital projects	General	12,100
Proprietary fund:		
Nutrition	General	<u>1,950</u>
		<u>\$ 35,874</u>

The due from and due to other funds balance at June 30, 2004, comprise of expenses paid by one fund on behalf of another fund and is waiting reimbursement for those expenses.

### NOTE 4 - IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP):

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semi-annual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semi-annual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. N.A. is the trustee for the program.

A summary of the District's participation in ISCAP at June 30, 2004 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2004-2005A	6/30/04	6/30/05	<u>\$ 300,440</u>	<u>\$ -</u>	<u>\$ 303,000</u>	<u>\$ -</u>

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 4 - IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP) (CONTINUED):

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25 percent of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2004 is as follows:

<u>Series</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2003-04A	\$ -	\$ 60,000	\$ 60,000	\$ -

The warrants bear interest and the available proceeds of the warrants are invested at an interest rate as shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2004-2005A	3.00%	2.46%



# HINTON COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

### NOTE 5 - CAPITAL ASSETS:

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year, as Restated (Note 12)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 76,600	\$ -	\$ -	\$ 76,600
Construction in progress	-	7,719	-	7,719
Total capital assets not being depreciated	\$ 76,600	\$ 7,719	\$ -	\$ 84,319
Capital assets being depreciated:				
Buildings	\$ 3,779,025	\$ 41,907	\$ -	\$ 3,820,932
Improvements other than buildings	672,564	-	-	672,564
Furniture and equipment	1,009,764	22,106	12,600	1,019,270
Total capital assets being depreciated	\$ 5,461,353	\$ 64,013	\$ 12,600	\$ 5,512,766
Less accumulated depreciation for:				
Buildings	\$ 1,645,325	\$ 48,444	\$ -	\$ 1,693,769
Improvements other than buildings	207,272	18,971	-	226,243
Furniture and equipment	649,160	48,534	12,600	685,094
Total accumulated depreciation	\$ 2,501,757	\$ 115,949	\$ 12,600	\$ 2,605,106
Total capital assets being depreciated, net	\$ 2,959,596	\$ (51,936)	\$ -	\$ 2,907,660
Governmental activities capital assets, net	\$ 3,036,196	\$ (44,217)	\$ -	\$ 2,991,979
Business type activities:				
Furniture and equipment	\$ 20,112	\$ 8,257	\$ 2,290	\$ 26,079
Less accumulated depreciation	10,388	2,172	2,100	10,460
Business type activities capital assets, net	\$ 9,724	\$ 6,085	\$ 190	\$ 15,619

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 5 - CAPITAL ASSETS (CONTINUED):

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 40,056
Special	3,993
Other	<u>5,968</u>
	<u>\$ 50,017</u>

Support services:

Student	\$ 1,871
Instructional staff	1,024
Administration	8,212
Operation and maintenance of plant	26,975
Transportation	27,721
Non-instructional	<u>129</u>
	<u>\$ 65,932</u>

Total depreciation expense - governmental activities \$ 115,949

Business type activities:

Food service operations \$ 2,172

NOTE 6 - LONG-TERM LIABILITIES:

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 600,000	\$ -	\$ 205,000	\$ 395,000	\$ 215,000
Early retirement	<u>189,744</u>	<u>44,530</u>	<u>39,668</u>	<u>194,606</u>	<u>91,121</u>
Total	<u>\$ 789,744</u>	<u>\$ 44,530</u>	<u>\$ 244,668</u>	<u>\$ 589,606</u>	<u>\$ 306,121</u>

Early Retirement - The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least fifty-five and must have completed ten years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee will be based on the age of the applicant as of July 1 and the total salary of the applicant during the most recently completed school year. Early retirement benefits paid during the year ended June 30, 2004 totaled \$39,668. The total liability for early retirement are recorded as long-term liabilities in the government-wide financial statements.

# HINTON COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

### NOTE 6 - LONG-TERM LIABILITIES (CONTINUED):

General Obligation Bonds Payable - Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Bond Issue of September 1, 1993</u>		
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>
2005	5.00 - 5.10%	\$ 215,000	\$ 17,520
2006	5.10 - 5.25%	<u>180,000</u>	<u>6,480</u>
Total		<u>\$ 395,000</u>	<u>\$ 24,000</u>

### NOTE 7 - PENSION AND RETIREMENT BENEFITS:

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70 percent of their annual covered salary and the District is required to contribute 5.75 percent of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$143,048, \$135,489, and \$138,721, respectively, equal to the required contributions for each year.

### NOTE 8 - RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

# HINTON COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

### NOTE 9 - AREA EDUCATION AGENCY:

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$157,321 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

### NOTE 10 - CONSTRUCTION COMMITMENTS:

At June 30, 2004, the District entered into various construction contracts totaling \$198,376 for improvements to the land and building. At June 30, 2004 none of the contracts were completed. The total amounts will be paid in the succeeding fiscal year.

### NOTE 11 - SUBSEQUENT EVENT:

Effective July 13, 2004, the District issued \$1,210,000 School Infrastructure Sales and Services Tax Revenue Bonds. The proceeds from the issuance of the bonds will be used primarily for various school capital projects. The bonds will be repaid annually over a scheduled maturity of ten years using proceeds from local option sales tax. The local option sales tax was previously authorized by voters and is scheduled to begin effective July 1, 2004.

### NOTE 12 - ACCOUNTING CHANGE AND RESTATEMENTS:

GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, was implemented for the year ended June 30, 2004. The interpretation modifies when early retirement and other liabilities are recorded under the modified accrual basis of accounting.

GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*, and Statement No. 41, *Budgetary Comparison Schedule - Perspective Differences*, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 12 - ACCOUNTING CHANGE AND RESTATEMENTS (CONTINUED):

The government-wide financial statements separate the District's programs between governmental and business type activities. The beginning net assets for governmental activities have been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	<u>Governmental Funds</u>				
	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Net assets June 30, 2003, as previously reported	\$ 387,985	\$ 18,434	\$ -	\$ 145,437	\$ 551,856
GASB Interpretation 6 adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,381</u>	<u>22,381</u>
Net assets July 1, 2003, as restated for governmental funds	<u>\$ 387,985</u>	<u>\$ 18,434</u>	<u>\$ -</u>	<u>\$ 167,818</u>	\$ 574,237
GASB 34 adjustments:					
Capital assets, net of accumulated depreciation of \$2,501,757					3,036,196
Long-term liabilities:					
Bonds and notes				\$ 600,000	
Early retirement				<u>189,744</u>	(789,744)
Accrued interest payable					<u>(5,033)</u>
Net assets July 1, 2003, as restated					<u>\$2,815,656</u>

## REQUIRED SUPPLEMENTARY INFORMATION

HINTON COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES

IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS

AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2004

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Revenues:		
Local sources	\$ 2,651,162	\$ 162,332
State sources	2,092,177	2,987
Federal sources	<u>49,368</u>	<u>55,532</u>
Total receipts	<u>\$ 4,792,707</u>	<u>\$ 220,851</u>
Expenditures:		
Instruction	\$ 3,009,117	\$ -
Support services	1,305,581	-
Non-instructional programs	3,612	193,950
Other expenditures	<u>398,408</u>	<u>-</u>
Total disbursements	<u>\$ 4,716,718</u>	<u>\$ 193,950</u>
Excess of revenues over expenditures	\$ 75,989	\$ 26,901
Other financing sources, net	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	\$ 75,989	\$ 26,901
Balances beginning of year, as restated	<u>574,237</u>	<u>61,926</u>
Balances end of year	<u><u>\$ 650,226</u></u>	<u><u>\$ 88,827</u></u>

See accompanying independent auditor's report.

<u>Total Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 2,813,494	\$ 2,740,917	\$ 2,740,917	\$ 72,577
2,095,164	2,159,421	2,159,421	(64,257)
104,900	168,715	168,715	(63,815)
<u>\$ 5,013,558</u>	<u>\$ 5,069,053</u>	<u>\$ 5,069,053</u>	<u>\$ (55,495)</u>
\$ 3,009,117	\$ 2,982,872	\$ 3,092,872	\$ 83,755
1,305,581	1,437,724	1,437,724	132,143
197,562	226,707	226,707	29,145
398,408	401,420	413,420	15,012
<u>\$ 4,910,668</u>	<u>\$ 5,048,723</u>	<u>\$ 5,170,723</u>	<u>\$ 260,055</u>
\$ 102,890	\$ 20,330	\$ (101,670)	\$ 204,560
<u>-</u>	<u>5,040</u>	<u>5,040</u>	<u>\$ (5,040)</u>
\$ 102,890	\$ 25,370	\$ (96,630)	<u>\$ 199,520</u>
<u>636,163</u>	<u>144,348</u>	<u>144,348</u>	
<u>\$ 739,053</u>	<u>\$ 169,718</u>	<u>\$ 47,718</u>	



HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted instruction and other expenditures by \$122,000.

During the year ended June 30, 2004, expenditures did not exceed budgeted amounts and the District did not exceed its unspent authorized budget.

## OTHER SUPPLEMENTARY INFORMATION

HINTON COMMUNITY SCHOOL DISTRICTCOMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDSJUNE 30, 2004ASSETS

	Management <u>Levy</u>	Student <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	<u>Total</u>
Cash and pooled investments	\$ 80,898	\$ 96,656	\$ 12,803	\$ 190,357
Receivables:				
Property tax:				
Current year	1,194	-	502	1,696
Succeeding year	150,000	-	43,098	193,098
Accounts	-	391	-	391
Due from other funds	-	190	-	190
Inventory	<u>-</u>	<u>814</u>	<u>-</u>	<u>814</u>
Total assets	<u>\$ 232,092</u>	<u>\$ 98,051</u>	<u>\$ 56,403</u>	<u>\$ 386,546</u>

LIABILITIES AND FUND EQUITY

Liabilities:				
Accounts payable	\$ 2,056	\$ 2,196	\$ -	\$ 4,252
Interfund payable	1,634	-	-	1,634
Deferred revenue:				
Succeeding year property tax	150,000	-	43,098	193,098
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>\$ 153,690</u>	<u>\$ 2,196</u>	<u>\$ 43,098</u>	<u>\$ 198,984</u>
Fund equity:				
Unreserved fund balances	<u>78,402</u>	<u>95,855</u>	<u>13,305</u>	<u>187,562</u>
Total liabilities and fund equity	<u>\$ 232,092</u>	<u>\$ 98,051</u>	<u>\$ 56,403</u>	<u>\$ 386,546</u>

## HINTON COMMUNITY SCHOOL DISTRICT

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

## FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2004

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Revenues:				
Local sources:				
Local tax	\$ 109,012	\$ -	\$ 48,138	\$ 157,150
Other	254	218,888	33	219,175
State sources	96	-	44	140
Total revenues	<u>\$ 109,362</u>	<u>\$ 218,888</u>	<u>\$ 48,215</u>	<u>\$ 376,465</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 50,635	\$ -	\$ -	\$ 50,635
Special instruction	1,080	-	-	1,080
Other instruction	-	211,032	-	211,032
	<u>\$ 51,715</u>	<u>\$ 211,032</u>	<u>\$ -</u>	<u>\$ 262,747</u>
Support services:				
Student services	\$ 938	\$ -	\$ -	\$ 938
Instructional staff services	270	-	-	270
Administration services	19,268	-	-	19,268
Operation and maintenance of plant services	18,324	-	41,907	60,231
Transportation services	9,655	-	-	9,655
	<u>\$ 48,455</u>	<u>\$ -</u>	<u>\$ 41,907</u>	<u>\$ 90,362</u>
Non-instructional programs	<u>\$ 3,612</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,612</u>
Total expenditures	<u>\$ 103,782</u>	<u>\$ 211,032</u>	<u>\$ 41,907</u>	<u>\$ 356,721</u>
Excess of revenues over expenditures	\$ 5,580	\$ 7,856	\$ 6,308	\$ 19,744
Fund balances beginning of year, as restated	<u>72,822</u>	<u>87,999</u>	<u>6,997</u>	<u>167,818</u>
Fund balances end of year	<u>\$ 78,402</u>	<u>\$ 95,855</u>	<u>\$ 13,305</u>	<u>\$ 187,562</u>

## HINTON COMMUNITY SCHOOL DISTRICT

## SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

## YEAR ENDED JUNE 30, 2004

ACCOUNT:	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Intrafund Transfers	Balance End of Year
Interest income	\$ 12,116	\$ 659	\$ 22	\$ (6,411)	\$ 6,342
Athletics	34,894	53,896	55,211	1,782	35,361
Summer concession	-	-	-	3,286	3,286
Track project	188	4,256	3,553	-	891
School nurse	-	-	-	132	132
Music boosters	-	-	-	274	274
Speech and drama club	151	-	279	134	6
National Honor Society	7	31	370	479	147
Cheerleaders	682	5,772	4,883	179	1,750
Drill team	345	209	49	431	936
Special education	1,334	-	412	88	1,010
Math club	255	-	278	648	625
Tag club	281	-	65	47	263
FCCLA	197	622	1,048	287	58
Instrumental music	358	5,147	3,537	-	1,968
Vocal music	655	4,450	4,092	-	1,013
Music trip	4,434	-	41,350	41,923	5,007
Music fund raiser	3,351	20,324	13,264	(10,411)	-
Musical	162	2,281	1,361	-	1,082
2003 Prom	798	-	668	(120)	10
2004 Prom	255	151	526	120	-
2005 Prom	-	11,967	10,097	-	1,870
Yearbook	5,221	10,753	10,864	-	5,110
High school student council	228	909	1,094	626	669
Middle school student council	652	147	262	275	812
Elementary student council	191	381	396	320	496
Elementary miscellaneous	1,379	417	1,846	54	4
Reading fun night	354	-	-	-	354
Elementary trips	-	388	387	(1)	-
Wings	5,294	475	1,709	-	4,060
Sixth grade trip	380	966	1,880	1,412	878
Concession stand	8,155	25,069	13,532	(19,786)	(94)
Agency	-	1	1	-	-
Tree fund	386	2,665	608	(2,443)	-
Soundwaves	-	52	-	2,057	2,109
West library trip	-	2,088	3,082	296	(698)
Wrestling fund	754	311	621	351	795
Music trip student	-	32,174	-	(32,174)	-
Blackhawk Backers	1,640	1,541	673	-	2,508
Wrestling cheerleaders	1,496	1,623	2,524	642	1,237
Fourth grade project	263	-	164	502	601
Second grade activity	652	-	-	(652)	-
Pop fund	768	942	1,046	(1)	663
First grade reading/math	304	120	64	29	389
Book fair	469	6,618	6,742	90	435
Play	195	-	-	-	195
Global days of service	-	1,291	-	-	1,291
Kindergarten project	379	495	269	524	1,129
HCEA	-	-	613	1,219	606
Boys basketball fundraiser	217	1,159	500	-	876
Transitional kindergarten	356	108	201	563	826
English co-curricular	389	-	467	443	365
After school program	48	-	72	24	-
5th grade project	98	359	327	-	130
Reading recovery	18	108	209	712	629
D.E.C.A.	2,291	8,832	7,209	2,808	6,722
Scrip fundraiser	(9,696)	4,605	1,320	6,411	-
Show choir outfits	(663)	2,953	4,515	664	(1,561)
Playground	5,318	1,426	6,429	766	1,081
Elementary special education	-	147	341	1,401	1,207
Total	\$ 87,999	\$ 218,888	\$ 211,032	\$ -	\$ 95,855

HINTON COMMUNITY SCHOOL DISTRICTSCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTIONALL GOVERNMENTAL FUNDSFOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Revenues:				
Local sources:				
Local tax	\$ 2,003,123	\$ 1,997,183	\$ 1,541,925	\$ 1,432,922
Tuition	399,912	345,002	365,582	370,102
Other	248,127	321,023	295,233	263,834
State sources	2,092,177	2,067,331	2,097,785	2,034,372
Federal sources	<u>49,368</u>	<u>41,530</u>	<u>52,742</u>	<u>38,731</u>
Total	<u>\$ 4,792,707</u>	<u>\$ 4,772,069</u>	<u>\$ 4,353,267</u>	<u>\$ 4,139,961</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 2,119,644	\$ 2,004,593	\$ 2,024,006	\$ 1,955,174
Special instruction	356,586	322,033	368,075	340,716
Other instruction	532,887	530,343	537,622	439,006
Support services:				
Student services	167,082	155,312	152,401	146,472
Instructional staff services	52,312	41,008	47,164	36,029
Administration services	540,771	506,500	486,070	457,010
Operation and maintenance of plant services	338,435	383,156	279,462	317,042
Transportation services	206,981	258,328	203,806	254,422
Non-instructional programs	3,612	6,513	5,040	3,480
Other expenditures:				
Facilities acquisition	7,992	-	-	78,832
Long-term debt:				
Principal	205,000	195,000	187,877	184,550
Interest and other charges	28,095	37,528	46,321	54,700
AEA flow through	<u>157,321</u>	<u>168,005</u>	<u>170,042</u>	<u>175,744</u>
Total	<u>\$ 4,716,718</u>	<u>\$ 4,608,319</u>	<u>\$ 4,507,886</u>	<u>\$ 4,443,177</u>



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Education of  
Hinton Community School District

We have audited the financial statements of the Hinton Community School District (the District) as of and for the year ended June 30, 2004, and have issued our report thereon dated August 6, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters

To the Board of Education  
Hinton Community School District

coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have all been resolved except for item I-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the District and other parties to whom the District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*King, Reinsch, Prosser & Co., L.L.P.*

August 6, 2004  
Sioux City, Iowa



HINTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2004

Part I: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

I-A-04     Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetrate and conceal errors or irregularities. To accomplish proper segregation of duties, the system, insofar as possible, should provide for different individuals to perform the functions of (a) authorizing transactions, (b) recording transactions, (c) maintaining custody of the assets that result from transactions, and (d) comparing assets with the related amounts recorded in the accounting records. In performing our audit, we noted that the Business Manager has primary responsibility for many accounting and financial duties of the general, special revenue and debt service funds. In addition, the Board Secretary has primary responsibility for the enterprise fund.

Recommendation - The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Education and Superintendent remain actively involved in the financial affairs of the District to provide oversight and review functions.

Response - The District understands the nature of the weakness and the necessity for the Board and Superintendent to provide oversight and review functions. The District will review its procedures and implement changes as deemed necessary.

Conclusion - Response accepted.

Part II: Other Findings Related to Statutory Reporting

II-A-04     Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

HINTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2004

(CONTINUED)

Part II: Other Findings Related to Statutory Reporting (Continued)

- II-B-04                Certified Budget - Expenditures for the year ended June 30, 2004 did not exceed the amount budgeted in any of the functional areas.
- II-C-04                Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-D-04                Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-E-04                Business Transactions - We noted no business transactions between the District and District officials or employees that would appear to constitute a conflict of interest.
- II-F-04                Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-04                Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- II-H-04                Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II- I-04                Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II- J-04                Certified Annual Report - The Certified Annual Report was timely filed with the Department of Education and we noted no significant deficiencies in the amounts reported.

HINTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2004

(CONTINUED)

Part II: Other Findings Related to Statutory Reporting (Continued)

II-K-04    Deficit Fund Balance - The capital projects fund had a deficit fund balance as of June 30, 2004 due to some preliminary facilities expenditures made prior to close of a bond issue.

Recommendation - The District should monitor its funds for deficit balances.

Response- The deficit balance will exist only in the current fiscal year; bond proceeds will be deposited in this fund in the subsequent fiscal year and will be used for project expenditures.

Conclusion - Response accepted.